International Seabed Authority

ISBA/21/LTC/3

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Procedures and criteria for the extension of an approved plan of work for exploration pursuant to section 1, paragraph 9, of the annex to the Agreement relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982

Note by the Secretariat

I. Introduction

1. During its meetings in 2014, the Legal and Technical Commission noted that seven exploration contracts were due to come to an end between March 2016 and March 2017,[1] involving the following contractors: Interoceanmetal Joint Organization, Yuzhmorgeologiya, the Government of the Republic of Korea, China Ocean Mineral Resources Research and Development Association, Deep Ocean Resources Development Co. Ltd., Institut français de recherche pour l'exploitation de la mer and the Government of India. Based on initial discussions with contractors, it could be anticipated that several of the existing contractors may seek an extension of their respective contracts.

2. The Commission had also noted that section 3.2 of the standard clauses for exploration contracts requires that applications for extensions of plans of work for exploration be submitted not later than six months before the expiration of the plan of work. This means that the first such applications for extension could be anticipated as early as September 2015, for consideration during the twenty-second session of the International Seabed Authority in 2016. Accordingly, it is necessary during the twenty-first session to formulate appropriate procedures and criteria to ensure that the provisions of section 3.2 are applied in a uniform and non-discriminatory manner.

[1] A list of the contractors, their sponsoring States and the dates upon which their contracts will expire is contained in the annex to the present document.

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3. Subsequently, in its decision ISBA/20/C/31, the Council of the International Seabed Authority requested that the Commission, as a matter of urgency and as its first priority, formulate draft procedures and criteria for applications for extensions of contracts for exploration, to be submitted to the Council at its 2015 session (ISBA/20/C/31, para. 2).

4. In response to the Council's request, the Secretariat of the International Seabed Authority has prepared draft procedures and criteria for the extension of an approved plan of work for exploration for consideration by the Commission at its session in February 2015 (ISBA/21/LTC/WP.1). The draft has been formulated bearing in mind the need to address the procedural and substantive problems highlighted in section II of the present document. It elaborates on the form, content and timing of the submission of applications, the prescribed fee and related administrative processes. It also sets out the procedures and criteria for the processing of applications by the Secretariat and consideration of applications by the Commission and the Council. The draft also contains a transitional provision and two annexes. To assist further in clarifying each of the provisions of the draft, a conference room paper annotating the draft procedures and criteria will be made available to the Commission in due course.

II. Analysis of the legal provisions relating to extension of plans of work for exploration

5. Section 1, paragraph 9, of the annex to the Agreement relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982 states that a plan of work for exploration shall be approved for a period of 15 years. Upon the expiration of a plan of work for exploration, the contractor shall apply for a plan of work for exploitation unless the contractor has already done so or has obtained an extension for the plan of work for exploration. Such extensions, for periods of not more than five years, shall be approved if the contractor has made efforts in good faith to comply with the requirements of the plan of work but for reasons beyond the contractor's control has been unable to complete the necessary preparatory work for proceeding to the exploitation stage or if the prevailing economic circumstances do not justify proceeding to the exploitation stage.

6. The provisions of section 1, paragraph 9, of the annex to the Agreement, as quoted above, have been incorporated into the text of the Authority's Regulations on prospecting and exploration in the Area.[2] Furthermore, section 3.2 of the standard clauses for exploration contracts, contained in annex IV to each set of Regulations, provides that, not later than six months before the expiration of a contract, a contractor may apply for extensions of the contract for periods of not more than five years each. Such extensions shall be approved if the contractor has made efforts in good faith to comply with the requirements of the plan of work but, for reasons beyond the contractor's control, has been unable to complete the necessary

[2] See regulation 26 of the Regulations on Prospecting and Exploration for Polymetallic Nodules in the Area; regulation 28 of the Regulations on Prospecting and Exploration for Polymetallic Sulphides in the Area; and regulation 28 of the Regulations on Prospecting and Exploration for Cobalt-rich Ferromanganese Crusts in the Area.

preparatory work for proceeding to the exploitation stage or if the prevailing economic circumstances do not justify proceeding to the exploitation stage.

7. A number of problems of a procedural and substantive nature may arise with regard to the implementation of section 3.2. Substantively, section 3.2 provides two separate grounds upon which an extension may be approved. Those are:

(a) That the contractor has made efforts in good faith to comply with the requirements of the contract but, for reasons beyond the contractor's control, has been unable to complete the necessary preparatory work for proceeding to the exploitation stage;

(b) That the prevailing economic circumstances do not justify proceeding to the exploitation stage.

8. Both of those grounds are subjective and imprecise tests. It is not clear, for example, whether "prevailing economic circumstances" refers to global market conditions or to the economic feasibility of the contractor's particular project, which may perhaps be demonstrated by a pre-feasibility study. In the latter case, if after 15 years a particular contractor's project is not viable for reasons that are unconnected to global economic conditions; it seems difficult to understand how an extension for a further five years could be justified. It is also not clear what data and information must be submitted by the contractor to support an application for an extension. A specific question that arises is whether the contractor is required to submit a proposed programme of activities covering the extension period, and the relationship between that programme of activities and the original plan of work for exploration. If the ground for extension is that the contractor has been unable to complete the necessary preparatory work for proceeding to the exploitation stage, it would seem logical that the programme of activities during the extension period should focus on completing that preparatory work in order to proceed to exploitation. The programme of activities should also be sufficiently detailed to enable the Commission and the Council to carry out their functions of supervising activities in the Area. Furthermore, it is not clear whether an extended contract period may entail additional training and related obligations, although it may perhaps be inferred that all standard clauses of the contract continue to apply throughout the extension period.

9. There are also procedural difficulties with section 3.2. Although it does provide that an application for an extension shall be submitted not later than six months before the expiration of a contract, and shall be approved by the Council on the recommendation of the Commission, it does not specify any minimum period of notice for consideration by the Commission, for example, 30 days, as in the case of applications for approval of plans of work for exploration. Nor is there any stipulation as to processing fees, the form of applications, the procedure for consideration by the Commission, including the order in which applications shall be considered, and the form of certification by sponsoring States.

10. The draft prepared by the Secretariat has attempted to clarify the issues identified above.

III. Recommendation

11. The Commission is invited to review the draft procedures and criteria for the extension of an approved plan of work for exploration contained in document ISBA/21/LTC/WP.1 at its session in February 2015 and to formulate an appropriate recommendation to the Council for its consideration in July 2015.

Annex

List of contracts for exploration expiring between March 2016 and March 2017

Contractor	*Date of entry into force*	*Sponsoring State or States*	*General location of exploration area*	*Date of expiry*
Interoceanmetal Joint Organization	29 March 2001	Bulgaria, Cuba, Czech Republic, Poland, Russian Federation and Slovakia	Clarion-Clipperton Fracture Zone	28 March 2016
Yuzhmorgeologiya	29 March 2001	Russian Federation	Clarion-Clipperton Fracture Zone	28 March 2016
Government of the Republic of Korea	27 April 2001		Clarion-Clipperton Fracture Zone	26 April 2016
China Ocean Mineral Resources Research and Development Association	22 May 2001	China	Clarion-Clipperton Fracture Zone	21 May 2016
Deep Ocean Resources Development Co. Ltd.	20 June 2001	Japan	Clarion-Clipperton Fracture Zone	19 June 2016
Institut français de recherche pour l'exploitation de la mer	20 June 2001	France	Clarion-Clipperton Fracture Zone	19 June 2016
Government of India	25 March 2002		Indian Ocean	24 March 2017

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Proposed amendments to the recommendations for the guidance of contractors for the reporting of actual and direct exploration expenditure

Note by the secretariat

Background

1. In 2009, the Legal and Technical Commission decided to issue, as document ISBA/15/LTC/7, recommendations for the guidance of contractors for the reporting of actual and direct exploration expenditure as required in annex IV, section 10, of the Regulations on Prospecting and Exploration for Polymetallic Nodules in the Area.[1] At its sessions in 2014, the Commission noted that the 2009 recommendations were out of date as they had been issued before the adoption of the Regulations on Prospecting and Exploration for Polymetallic Sulphides[2] and Cobalt-rich Ferromanganese Crusts[3] in the Area and the entry into force of contracts for exploration for those resources. The Commission therefore decided that it should review the 2009 recommendations at its following session, in 2015. It also requested the Secretariat to prepare a suggested revision of the 2009 document.

2. A suggested revision of the 2009 recommendations is contained in the annex to the present document. Proposed amendments are shown in bold text. No changes of substance are proposed; however, the recommendations have been adjusted to make them equally applicable to contracts for all three types of mineral resource. In this regard, the Commission will recall that the applicable provisions on financial reporting are identical in the relevant provisions of each of the three sets of Regulations issued by the International Seabed Authority.

Recommendation

3. The Commission is invited to review the revised recommendations for guidance set out in the annex to the present document, with a view to issuing a revised set of recommendations during 2015.

[1] ISBA/19/C/17, annex, as amended by the Assembly of the International Seabed Authority in its decisions ISBA/19/A/12 and ISBA/20/A/9.

[2] ISBA/16/A/12/Rev.1, as amended by the Assembly in its decisions ISBA/19/A/12 and ISBA/20/A/10.

[3] ISBA/18/A/11, as amended by the Assembly in its decision ISBA/19/A/12.

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Annex

Recommendations for the guidance of contractors for the reporting of actual and direct exploration expenditure, as required in annex 4, section 10, of the Regulations on Prospecting and Exploration for Polymetallic Nodules in the Area

The Legal and Technical Commission, acting pursuant to regulation 39 of the Regulations on Prospecting and Exploration for Polymetallic Nodules in the Area, regulation 41 of the Regulations on Prospecting and Exploration for Polymetallic Sulphides in the Area and regulation 41 of the Regulations on Prospecting and Exploration for Cobalt-rich Ferromanganese Crusts in the Area, issues the following recommendations for the guidance of contractors.

I. Introduction

1. **The** purpose **of the present recommendations** is to provide guidance to contractors in relation to the following matters:

(a) The books, accounts and financial records to be maintained in accordance with section 9 of annex 4 to the Regulations;

(b) The identification of internationally accepted accounting principles;

(c) The presentation of financial information in the annual reports to be submitted pursuant to section 10 of annex 4 to the Regulations;

(d) The definition of the actual and direct costs of exploration, as **dealt with** in section 10.2 (c) of annex 4 to the Regulations;

(e) The form of certification of actual and direct exploration expenditure.

2. **In the present recommendations for guidance, references to "the Regulations" are collective references to the Regulations on Prospecting and Exploration for Polymetallic Nodules in the Area, the Regulations on Prospecting and Exploration for Polymetallic Sulphides in the Area and the Regulations on Prospecting and Exploration for Cobalt-rich Ferromanganese Crusts in the Area. References to the "standard clauses" are references to the standard clauses applicable to the particular contract in question.**

3. Unless otherwise stated, words and phrases defined in the Regulations have the same meaning in the present recommendations for guidance.

4. The purpose of requiring detailed financial reports to be submitted is twofold. First, it is a due diligence requirement that is commonly found in exploration and mining contracts and is included as a means for objective quantification of the contractors' compliance with its plan of work. In this regard, as part of the process of application for a plan of work for exploration, contractors are required to provide a five-year programme of activities and a schedule of anticipated annual expenditure in respect of such programme. Under the standard clauses (annex 4, sect. 4.2), contractors are required to spend in each contract year not less than the amount specified in the programme of activities, or any agreed review thereof, in actual and

direct exploration expenditure. The annual financial report is thus the only means by which the Authority is able to verify objectively the contractors' compliance with these provisions.

5. The second reason for requiring financial reports is potentially of direct benefit to the contractor. It is a general practice in the mining industry to allow some element of the costs of developing a mine site to be set off against the eventual income from production. As far as seabed mining is concerned, detailed provisions relating to the definition of "development costs" and their recovery in certain circumstances were included in article 13 of annex III to the Convention. By reason of the 1994 Agreement relating to the Implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982, these provisions no longer apply. Nevertheless, the possibility that the Authority may in due course make provision for the recovery of some element of development costs is foreseen in annex 4, section 10.2 (c), of the Regulations, which provides that such expenditure may be claimed by the contractor as a part of the contractor's development costs incurred prior to the commencement of commercial production. In these circumstances, it is particularly important that there be some means of verifying objectively the amount of such expenditure, its relationship to the programme of activities and whether it is actual and direct exploration expenditure.

II. Books, accounts and financial records

6. Section 9 of annex 4 to the Regulations requires each contractor to keep a "complete and proper set of books, accounts and financial records, consistent with internationally accepted accounting principles". For the purposes of the Regulations, the Commission recommends that contractors adopt and apply the International Financial Reporting Standards adopted by the International Accounting Standards Board, in particular standard 6, relating to the financial reporting of expenditure associated with the exploration for and evaluation of mineral resources. Furthermore, in order to ensure comparability with the contractor's financial statements of previous years, as well as with the financial statements of other contractors, all financial statements, including the financial statement to be included in the annual report required under section 10 of annex 4 to the Regulations, should be provided in a format consistent with international accounting standard 1.

III. Presentation of financial information

7. Section 9 of annex 4 to the Regulations also stipulates that "such books, accounts and financial records shall include information which will fully disclose the actual and direct expenditures for exploration and such other information as will facilitate an effective audit of such expenditures". Accordingly, the information to be disclosed by contractors should make it possible to identify and explain the reported amounts in the financial statements arising from the exploration and evaluation of mineral resources. To this end, it is recommended that contractors indicate their accounting policies for exploration and evaluation expenditure, including the recognition of exploration and evaluation assets. Contractors should also disclose the amounts of assets, liabilities, income and expense, and operating and investing cash flows arising from the exploration for and evaluation of mineral resources.

8. Financial statements should cover the same period as the reporting period and should normally correspond to a calendar year. Where this is not possible, for example, because the country in which the contractor is based has a different financial year, the contractor should indicate the accounting year and, as far as possible, should provide a prorated summary of expenditure matching the reporting year.

9. The financial statement should be consistent with the proposed programme of activities, including the proposed schedule of annual expenditure, contained in schedule 2 of the contract over the equivalent period of time. Any deviation from the proposed programme of activities or schedule of annual expenditure should be clearly reported and explained. This should also be in accordance with a formal adjustment to the proposed programme, which would have been agreed on by the parties.

10. When an exploration activity continues beyond an accounting year, the reported costs should relate only to activities that were carried out during the relevant accounting year. Such expenditure should be clearly distinguished from the costs that are associated with past, previous or future exploration activities.

11. Where expenditure is nil, this should also be stated.

IV. Actual and direct exploration expenditure

12. In accordance with the Regulations, reported expenditure should relate only to the actual and direct costs of exploration. Not all expenditure incurred during a reporting period may be considered as an actual and direct cost of exploration. In general, actual and direct exploration costs are considered to be those that were necessary for carrying out exploration activities for **the particular resource covered by the contract** within the financial period in question and in accordance with the programme of activities set out in the contract for exploration. Such costs should be properly itemized in the breakdown of expenditure.

13. Pursuant to regulation 1.3 (b) of the Regulations, "exploration" means the search for deposits in the Area, their analysis, the **use and** testing of **recovery** systems and equipment, processing facilities and transportation systems, and the carrying out of studies of the environmental, technical, economic, commercial and other appropriate factors that must be taken into account in exploitation. Consequently, it may be considered that the costs associated with exploration must be those that fall under the list of activities defining the term "exploration". International financial reporting standard 6 also provides a non-exhaustive list of examples of expenditure that might be presented in the initial measurement of exploration and evaluation assets. To be considered as direct, expenditure must have been incurred directly in connection with the exploration work that has been undertaken in accordance with the programme of work in the contract. A recommended format for the statement of actual and direct exploration expenditure is contained in the annex.

14. Reported expenditure also needs to relate to actual costs. This means that the costs have actually been incurred and are not notional, estimated or projected. Actual costs are also associated in time with those that occurred during the reporting year. Therefore, they exclude those that relate to past or future exploration work. Actual costs may be different from projected costs, but grounds for any variation should be provided in the report.

V. Certification of financial statements

15. It is a requirement of the standard clauses for exploration contracts that the financial statements showing the actual and direct exploration expenditure of the contractor in carrying out the programme of activities during the accounting year be certified by a duly qualified firm of public accountants or, where the contractor is a State or a state enterprise, by the sponsoring State.

16. In order to avoid confusion in the application of these requirements, where the contractor is a State or State-owned enterprise, the contractor should indicate in the annual report which entity of the sponsoring State is entitled to certify the financial statements.

17. The date of receipt of the certification should be the same as for other elements of the annual reports, that is, no later than 31 March of each year. Where this is not possible, for example, where the certifying authority applies a different financial reporting period, the contractor should indicate the tentative date of submission in the annual report. Once the certificate is available, the contractor should transmit it to the Secretary-General without delay.

Annex

Recommended format for the statement of actual and direct exploration expenditure

1. Expenditure should be reported against the following headings:

- Resource evaluation
  - Research and analysis, including field investigation
  - Equipment and instruments
- Environmental monitoring programme
  - Research and analysis, including field investigation
  - Equipment and instruments
- Mining technology development
  - Research and analysis, including field investigation
  - Equipment and instruments
- Metallurgical process development
  - Research and analysis, including field investigation
  - Equipment and instruments
- Other activities
  - Any other actual and direct exploration expenditure not covered under the above headings, but forming part of the programme of activities under the contract

2. Where an item of expenditure may be attributed to several activities, it should be reported under one heading only, so as to avoid any duplication.

3. Reported expenditure under each heading should, as far as possible, be broken down into: (a) operational expenditure; (b) capital expenditure; (c) staffing and personnel costs; and (d) overhead costs. If a cruise was undertaken, the actual day rate for ship time and the day rate for any large item of equipment used during the cruise should be specified.

4. Capital expenditure on a single item exceeding $100,000 in any one year should be itemized in the report.

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Application for approval of a plan of work for exploration for polymetallic nodules in the Area by China Minmetals Corporation

Executive summary*

I. Introduction

1. China Minmetals Corporation is pleased to submit an application for approval of a plan of work for exploration, pursuant to the Regulations on Prospecting and Exploration for Polymetallic Nodules in the Area (ISBA/19/C/17, annex). The Corporation is a State-owned enterprise established under the legal framework of China. It is mainly engaged in exploration, smelting, processing, trade, the mining of mineral resources and the development of metallurgical technology.

2. As a State-owned enterprise in the largest developing country in the world, China Minmetals Corporation strongly supports the principle of the common heritage of mankind and believes that all activities carried out in the international seabed area should benefit mankind as a whole. The Corporation upholds the idea of developing green and advanced technology and commits itself to deepening human knowledge of the deep sea, utilizing its resources sustainably and ensuring the effective protection and preservation of the marine environment.

3. As a member of the Global Compact LEAD platform of the United Nations, China Minmetals Corporation works in accordance with the Blueprint for Corporate Sustainability Leadership, integrates the principles of sustainable development into corporate governance and strives to ensure that its corporate growth brings about tangible, sustainable economic and social benefits.

* Submitted by the applicant.

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II. Sponsorship

4. China sponsors the application of China Minmetals Corporation for approval of a plan of work for exploration for polymetallic nodules.

III. Application area

5. The application of China Minmetals Corporation covers an area of 72,740 km^2 within the reserved area in the Clarion-Clipperton Fracture Zone of the Pacific Ocean. The area comprises eight blocks in total.

IV. Financial capability

6. A financial statement signed by the Minister of Finance of China, Lou Jiwei, as a representative of the sponsoring State, certifies that China Minmetals Corporation has the financial resources necessary to meet the estimated costs of the proposed plan of work for exploration and to fulfil its financial obligation to the International Seabed Authority.

V. Technical capability

7. China Minmetals Corporation has been undertaking research in mining, ore dressing and metallurgical processing technology of ocean polymetallic nodules since the 1980s and runs the most important State-owned laboratory of deep-sea mineral resource development and utilization technology. The Corporation has carried out a long-term technical cooperation with institutes and experts in the field of ocean mining and metallurgical processing around the world and has accumulated extensive experience in this area.

8. China Minmetals Corporation employs a group of highly experienced professionals in the field of land resource exploration, including mineral resource appraisers and mineral reserve appraisers, certified public accountants and certified cost engineers, who can present independent reports on mineral exploration assessment, mineral resources and ore reserves, feasibility studies for mining projects and related public reports. These experts will contribute to the successful implementation of the proposed plan of work for exploration.

9. China Minmetals Corporation cooperates closely with the Second Institute of Oceanography and the Guangzhou Marine Geological Survey, which have technical capabilities and extensive experience in the exploration for and environmental surveys of the international seabed resources.

VI. Proposed plan of work

10. China Minmetals Corporation will carry out the proposed plan for exploration by using the knowledge and skills it has accumulated over the years during its research in mining and metallurgical processing technology for ocean minerals, as well as its experience in exploration for on-land mineral resources, together with the

capabilities and experience that the institutes it cooperates with have in the field of seabed polymetallic nodules.

11. The proposed exploration programme is set up as a long-term plan covering a period of 15 years. The activities covered in the plan of work for exploration include:

(a) Conducting survey cruises and analyses in the application area to obtain basic information and data for mineral and environmental assessment, as well as for designing and validating the mining and metallurgical processing system;

(b) Evaluating the quantity, quality, distribution and economic value of polymetallic nodules in the application area, in order to delineate and evaluate mine sites for commercial exploitation;

(c) Building environmental baselines in the application area and its adjacent areas, studying the biological diversity and the distribution characteristics of the communities and species in the application area, and evaluating the potential environmental impact of polymetallic nodule mining;

(d) Carrying out research in and the validation of the key technologies of mining and metallurgical processing; providing basic data for the technical and economic viability analysis through the validation of separate mining equipment and the integrated mining system; developing the technology for large-scale offshore engineering; focusing on the development of new methods of metallurgical processing of the polymetallic nodules, including new methods for the direct use of polymetallic nodules and new technology for the comprehensive utilization thereof; carrying out scoping studies and pre-feasibility studies if market situations are favourable; and estimating mineral reserves.

12. The proposed environmental survey will focus initially on setting environmental baselines for physical oceanography, biology, chemical oceanography and geology in the application area and adjacent areas, as well as for biological diversity by means of water extraction, biological sampling, sediment sampling and deep-sea video. Once the initial commercial recovery target site has been identified through the exploration surveys, the environmental baseline study will be expanded to address more localized parameters. China Minmetals Corporation will endeavour to integrate new baseline data with similar data of other contractors across the Clarion-Clipperton Fracture Zone in order to maximize the regional insights.

13. China Minmetals Corporation undertakes to comply strictly with the applicable international law and rules, including the United Nations Convention on the Law of the Sea, the 1994 Agreement relating to the implementation of Part XI of the United Nations Convention on the Law of the Sea of 10 December 1982, the rules, regulations and procedures of the Authority, the decisions of the relevant organs of the Authority and the terms of its contract with the Authority, and to implement the plan of work faithfully.[1]

[1] China Minmetals Corporation has noticed that the Authority organized an international workshop on polymetallic nodules resources classification and another on taxonomic methods and standardization of macrofauna in the Clarion-Clipperton Fracture Zone. The Corporation will contribute to the formulation of rules, regulations and procedures of the Authority based on its own experience in exploration. It will carry out the plan of work for exploration in accordance with rules, regulations and procedures issued by the Authority.

VII. Environmental protection

14. China Minmetals Corporation is committed to a high-end, green and innovative development, applying a precautionary approach and best environmental practices to protect the environment and biodiversity. Based on the extensive experience in safety and environment management that it has gained during previous mineral resource development, and utilizing international expertise in ocean operation safety and marine environmental protection, the Corporation will take the measures necessary to prevent, minimize and control pollution and other hazards to the marine environment that may arise from its implementation of the proposed exploration programme, as far as reasonably possible.

15. In its implementation of the plan of work, China Minmetals Corporation will take measures to protect and preserve the environment in strict compliance with the United Nations Convention on the Law of the Sea, the Agreement of 1994, the rules, regulations and procedures of the Authority, the decisions of the relevant organs of the Authority, such as the recommendations for the guidance of contractors for the assessment of the possible environmental impacts arising from exploration for marine minerals in the Area (ISBA/19/LTC/8) and the Environmental Management Plan for the Clarion-Clipperton Fracture Zone (ISBA/17/LTC/7), and the terms of its contract with the Authority.

VIII. Training programme

16. China Minmetals Corporation, as an enterprise from a developing country, gives high priority to capacity-building. As part of the contract with the Authority, the Corporation will provide three separate training programmes to trainees from the Authority and developing countries. In the initial five years, the programme will offer 10 trainees the opportunity to expand their professional knowledge in such areas as geological surveying, environmental surveying, geophysical surveying, marine geology, biological and environmental research, mining, processing and metallurgical technology, recycling technology, marine science, environmental management and marine environmental protection.

IX. International cooperation and advancing science

17. China Minmetals Corporation has extensive experience in international cooperation and, in its implementation of the plan of work for exploration for polymetallic nodules, invites any institute or organization interested in the exploration for and development of seabed mineral resources to cooperate.

18. China Minmetals Corporation is committed to the advancement of science through implementing the plan of work for exploration. In compliance with the relevant regulations and requirements of the Authority, the Corporation will submit reports on its environmental data and findings to the Authority in a timely manner and share scientific information with the public and the international community, so as to facilitate scientific communication and improve the international community's understanding of the deep seabed.

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Review of the format and structure of annual reports

Note by the Secretariat

I. Introduction

1. In 2002, the Legal and Technical Commission recommended that contractors follow a standardized form for annual reports to facilitate reporting on their activities carried out in the year in accordance with their contracts with the International Seabed Authority. The standardized form, entitled "Format and structure of annual reports", is contained in the annex to document ISBA/8/LTC/2. The format was structured in a way that was relevant for reporting on exploration activities for polymetallic nodules.

2. Since 2003, the recommended format and structure of annual reports have been largely followed by contractors in preparing their annual reports. They have proven to be a useful guidance to contractors for this purpose. However, with the signing of contracts for the exploration for polymetallic sulphides and cobalt-rich crusts, the format and structure of annual reports should be also applicable to the annual reports on exploration activities for other mineral resources. In addition, and particularly in recent years, the Commission has recommended the inclusion of many additional requirements for the format and content of annual reports, particularly on the standardization of data to be submitted by contractors. The Commission listed the item "Standardization of data and format of the annual reports of the contractors" as one of its outstanding matters in 2013 (ISBA/19/C/14, para. 32) and, in 2014, noted that there was a need to review the recommended template for annual reports and decided to take this matter up at its twenty-first session (ISBA/20/C/20, para. 9).

3. The following elements have been taken into consideration for the review of the format and structure of annual reports:

(a) Recommendations for the guidance of contractors adopted by the Commission (including ISBA/15/LTC/7, ISBA/19/LTC/8 and ISBA/19/LTC/14);

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(b) General comments made by the Commission in its evaluation of all annual reports submitted by contractors, as well as specific comments on some particular annual reports, where appropriate;

(c) The template for the submission of data, as agreed between the Authority and contractors in 2012;

(d) The outcomes of the workshops organized by the Authority in recent years.

II. Recommendations

4. The Commission is invited to review the draft revised format and structure of annual reports prepared by the Secretariat (to be issued as a working paper) and to make appropriate recommendations for its use by contractors in the preparation and submission of annual reports.

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Outcomes of the international workshop on polymetallic nodule resource classification held in Goa, India, from 13 to 17 October 2014

Note by the secretariat

1. In October 2014, the International Seabed Authority, in collaboration with the Ministry of Earth Sciences of India, convened an international workshop on polymetallic nodule resource classification. The workshop was held in Goa, India, from 13 to 17 October 2014. The workshop reviewed the work that was being undertaken by contractors for the exploration for polymetallic nodules in relation to the collection and classification of resource data and current practice in land-based mineral development, in particular national reporting standards for exploration results and resource classification.

2. About 40 experts, including representatives of contractors with the Authority and members of the Legal and Technical Commission, participated in the workshop. Representatives of contractors made presentations on the work that they had accomplished to date. Experts on land-based mineral resource classification from the Committee for Mineral Reserves International Reporting Standards and the United Nations Framework Classification for Reserves/Resources: Solid Fuels and Mineral Commodities also made presentations on the existing classification systems. All presentations are available on the Authority's website (www.isa.org.jm) and the full proceedings of the workshop will be published in due course.

3. In view of the increasing commercial interest in the resources of the Area, participants in the workshop recognized the need for a classification system for the mineral resources of the Area. They considered that existing resource and reserve classification systems designed for land-based minerals would provide a useful basis for a system to enable contractors with the Authority to standardize the classification of and reporting on polymetallic nodule resources into proven, probable and possible reserves of metals.

4. Participants reviewed the international reporting template of the Committee for Mineral Reserves International Reporting Standards and clarified the concept of "mineable areas", noting that resources of the mineable area corresponded to the "mineral resources" category of the template, including inferred, indicated and

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measured categories. It was also noted that the terms "proven, probable and possible reserves" corresponded to the template categories of measured, indicated and inferred mineral resources and, if the pre-feasibility or feasibility studies supporting the conversion of resources to reserves had been applied by the contractor, to proven and probable reserves. Materials that did not qualify as mineral reserves or resources under the Committee for Mineral Reserves International Reporting Standards might be classified within appropriate categories of the United Nations Framework Classification. Participants noted that, in the application of the modifying factors listed in the template, the categories of weather, transportation, underwater topography and international benefit-sharing should be considered.

5. From the practice of the current contractors in the exploration for polymetallic nodules, participants noted that most contractors were already following existing classifications, whether that of the Committee for Mineral Reserves International Reporting Standards, the United Nations Framework Classification or other national systems (such as the Canadian National Instrument 43-101, the Russian system or the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves). It was also noted that contractors would be ready to use the resource classification system recommended by the Authority in the context of their contractually mandated reports to the Authority. As a result, participants in the workshop recommended that contractors use the standards of the Committee for Mineral Reserves International Reporting Standards for resource classification, as modified by the Committee to reflect the different resources, for reporting on seabed mineral resources and reserves. Participants also recommended that such guidelines not refer to cut-off values, as they would depend on geological, technological and economic factors that should be defined by the contractors.

6. On the basis of the classification systems for land-based mineral resources, it was concluded that, at present, no contractor had identified reserves of the metals of interest in polymetallic nodules, particularly in the light of the fact that no tests of the collector device for mining the nodules had been conducted at the depths of the deposits. It was recommended that the Authority support collaboration among contractors to test their collector devices and to conduct pilot mining tests and environmental impact assessments. It was noted that this would help to reduce costs and risks to each contractor and to move polymetallic nodule resources from inferred resources to reserves of the metals of interest. As a follow-up to the workshop, each contractor was requested, on a voluntary basis, to complete and return a collector survey to the secretariat.

Recommendations

7. The Commission is invited to take note of the outcomes of the workshop and to provide such advice and direction as may be deemed appropriate. The Commission is also invited to consider recommending that contractors use standards of the Committee for Mineral Reserves International Reporting Standards, as modified by the Committee to take into account the different resources, for reporting on seabed mineral resources and reserves. Such a recommendation could be made in the form of a recommendation for the guidance of contractors, pursuant to regulation 39 of the Regulations on Prospecting and Exploration for Polymetallic Nodules in the Area, or as an annotation to the standard template for annual reporting adopted by the Commission.